CONTROLLING COSTS AND THE NEGATIVE IMPACT OF ECONOMIC DOWNTURNS ARE TOP WORRIES FOR CFOs, FINANCIAL EXECS

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Controlling travel costs internally and the prospect of a significant downturn in domestic and global economic markets impeding business travel are among the top concerns of a majority of financial executives who are key stakeholders in their managed travel programs.

In an online survey of 50 Chief Financial Officers (CFOs) or financial executives conducted by BTN Group Content Solutions, controlling costs to align with budgets was identified by the largest segment of respondents (44%) as one of their top three concerns.

Just over one-third (34%) of respondents said travel policy compliance, and accurate and timely reporting on travel spend, were also among top concerns directly related to their managed travel program. Defining and quantifying ROI from managed travel was cited by 30% of CEOs and financial executives surveyed as one of three top concerns.

Taking care of company travelers is also a focus, but to a lesser extent than cost and compliance issues; 40% identified traveler safety and wellbeing, and 24% cited traveler satisfaction as one of their three primary concerns.

>> DEVELOPMENTS THAT COULD IMPEDE BUSINESS TRAVEL

The disruption of U.S. and global business travel caused by recessions and economic slowdowns at home and in overseas markets are of great concern for a majority of financial executives who are key stakeholders in their managed travel programs.

More than two thirds also have a high degree of concern about the negative impact on domestic business travel of cyber threats (72%), geopolitical uncertainty (66%), trade conflicts (66%), climate change (64%), and terrorism (62%).

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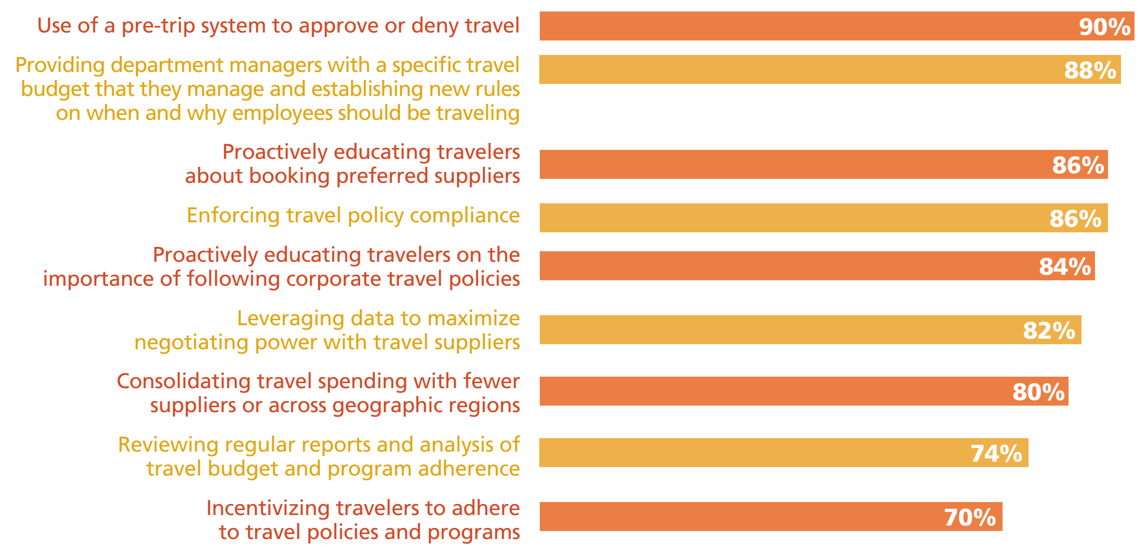
COST-AVOIDANCE COMPONENTS CONSIDERED EXTREMELY OR VERY EFFECTIVE



SOURCE: BTN GROUP CONTENT SOLUTIONS ONLINE SURVEY, OCTOBER 2019

In addition to economic issues, a strong majority of respondents are highly concerned about an array of other developments impeding international business travel. These include:

- Terrorism **(72%)**
- Over-regulation of travel areas and suppliers **(68%)**
- Exchange rate volatility **(66%)**
- Cyber threats **(66%)**
- Geopolitical uncertainty **(64%)**
- Climate change **(62%)**
- Trade conflicts **(62%)**
- Protectionist and populist movements **(60%)**

>> ELIMINATING, REDUCING AND CONTROLLING COSTS

A majority of financial executive respondents (76%) said their company has a strategy in place to reduce company travel costs by leveraging existing policy, travel management tools, and negotiated agreements.

When it comes to the ability of a cost avoidance strategy to cut travel spend, many respondents were not completely convinced. While 40% said they strongly agreed that an effective cost avoidance strategy would result in a significant reduction in annual travel spend, 48% only partially agreed in that outcome, and 10% disagreed.

Even so, a majority respondents identified a variety of cost-avoidance components they considered highly effective.

>> TRACKING ROI

A majority of respondents (58%) work in companies that either track the return on investment (ROI) of some or all business travel, or are working on a way to do so.

More than two-fifths of respondents (42%) work in organizations that track ROI, including 24% who have measurements in place to track the ROI on all business travel, and 18% that track ROI on trips specifically to drive sales growth. Another 16% said they are working on how to define and track the relationship between business travel and company performance although they are not yet doing so.

A significant minority (28%) do not track ROI because it has too many different objectives to effectively quantify, some of which are not directly measurable. Other respondents said tracking ROI is not a priority at this time (10%), or they don't see any significant bottom-line benefit in doing so (4%).

Among the stakeholders who should be involved in determining what constitutes ROI on travel, the majority of financial executives surveyed (68%) said the finance department should be on the team. Under half (46%) said their company's internal travel management team should be involved in defining ROI on travel, and about a third would include other key internal stakeholders and their travel management company.

>> REPORTS AND DATA SETS

A clear majority of respondents (90%) are receiving all of the reports and data sets they need to effectively implement their role as a stakeholder in their managed travel program. The greatest percentage of finance executives surveyed receive

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quarterly reports on cost and compliance-related issues, including:

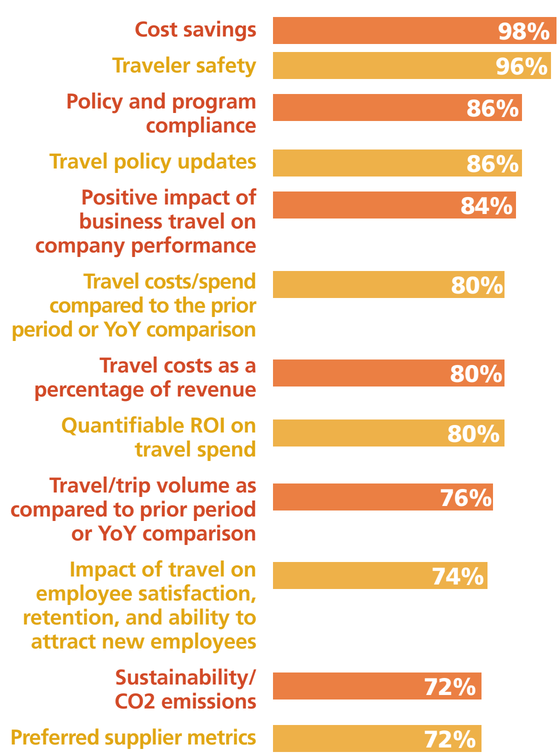
- Policy and program compliance **(40%)**
- Cost savings **(38%)**
- Travel costs as a percentage of revenue **(36%)**
- Travel costs compared to the prior period or YoY comparison **(34%)**

A strong minority receive monthly reports dealing with some aspect of travel costs, including costs compared to the prior period or YoY comparison (28%), travel costs as a percentage of revenue (24%), and cost savings (22%),

Travel spend and policy compliance are not the only metrics finance executives are reviewing on a regular basis.

Traveler safety reports are delivered to 30% of respondents on a quarterly basis; 34% receive bi-annual or annual reports on traveler safety and 14% receive those reports in real time. Two-fifths of finance executives surveyed receive quarterly reports on the impact of travel on employee satisfaction, retention, and the ability to attract new employees.

REPORTS/DATA SETS CONSIDERED EXTREMELY OR VERY IMPORTANT TO MANAGED TRAVEL STAKEHOLDERS



SOURCE: BTN GROUP CONTENT SOLUTIONS ONLINE SURVEY, OCTOBER 2019

A strong majority of finance executives (94%) strongly agree (50%) or somewhat agree (44%) that they need to track and report traveler experience and satisfaction metrics as well as traditional costs, savings and compliance metrics, to create strategic business value in their managed travel program.

>> IMPACT OF TAX POLICIES AT HOME AND ABROAD

Nearly three-quarters of financial executives surveyed (72%) said their companies made at least one cost-related change to travel and expense policy in response to the elimination of business expense deductions for entertainment, amusement, or recreation required under the Tax Cuts and Jobs Act (TCJA), which was signed into law in the U.S. in December 2017.

Forty percent of respondents said their companies implemented new tracking protocols designed to capture the cost of the non-deductible expenses; 38% increased travel and entertainment spend to account for the non-deductibility charges; and 32% said company policy was changed to prohibit all non-deductible customer and employee entertainment spending.

More than half of respondents (56%) said they have already been impacted, or anticipate that they will be, by initiatives in a number of U.S. states and some countries to aggressively use sophisticated auditing techniques to collect income taxes on the earnings of business travelers visiting their jurisdictions.

A strong majority (72%) work in companies that have a strategy in place to modify their managed travel program in the event of a recession. If a recession or significant economic slowdown did occur, most respondents (58%) would respond by gathering key managed travel stakeholders to discuss and set an appropriate course of action around travel spending; 38% would immediately reduce the travel budget and/or cut back on nonessential T&E spending.

While 58% of respondents are definitely satisfied with their involvement with, and impact on, their organization's managed travel policies and program, a significant minority (42%) are only satisfied with the role they play in managed travel to some extent.

>> KEY FINDINGS

While CFOs and other financial executives have retained their focus on controlling and/or reducing travel costs, the safety and well-being of travelers, along with travel policy compliance, are now key concerns for these stakeholders.

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- Financial executives equally rely on regular reports about cost savings and traveler safety to fulfill their roles in managed travel. Most also depend on reports providing metrics around policy compliance, the positive impact of business travel on company performance, and travel costs as a percentage of revenue.
- Some financial executives surveyed said they were unaware of all reporting options but would like to see more on program/vendor compliance, along with ROI.
- The preferred approach to reducing travel costs at companies where financial executives have a key role in managed travel is to leverage existing policy, travel management tools, and/or negotiated agreements.
- Cost avoidance strategy is not fully embraced by most financial executives as a highly effective way to reduce travel spend. ■

›› ABOUT THIS SURVEY

BTN Group Content Solutions conducted an online survey in October 2019 of 208 company executives who identified as key stakeholders in their managed travel programs. The research was sponsored by SAP Concur. Survey participants included four stakeholder groups with 50 or more respondents including 50 Chief Financial Officers or financial executives. Most financial executives surveyed work in companies with fewer than 10,000 employees. Just over two-fifths (42%) work in organizations with up to 999 employees; 30% work in organizations with 1,000 to 3,999 employees; and 16% work in companies that have 4,000 to 9,999 employees.